APPENDIX

Statement of Agreed Facts.

It is hereby stipulated by and between the parties hereto, through their respective counsel, subject to the right of either party to present supplementing facts not inconsistent herewith, as follows:

1. Plaintiff, U. S. Time Corporation ("U. S. Time"), is a Connecticut corporation, having its principal administrative offices in Middlebury, Connecticut, where it also has a manufacturing plant, and its principal sales offices in New York City, New York. U. S. Time is principally engaged in the manufacture of timepieces, including those sold under its Timex brand. Since 1961, U. S. Time has been importing and selling in the United States Timex electric watches made in the plant of its wholly owned German subsidiary.

2. Defendant, Hamilton Watch Company ("Hamilton"), is a Pennsylvania corporation having its principal offices and its manufacturing facilities in Lancaster, Pennsylvania. Hamilton also maintains a sales office in New York City, New York. Hamilton is engaged principally in the manufacture of timepieces sold under the Hamilton brand, including electric watches. Since 1957, Hamilton has been manufacturing in its plant in Lancaster, Pennsylvania, and selling throughout the United States, electric watches.

3. On January 25, 1961, Hamilton sent to U. S. Time a letter, a copy of which is attached hereto and marked Appendix A. In that letter Hamilton advised U. S. Time that:

> "We have recently had an opportunity to examine one of the electric watches which your corporation imported from West Germany for marketing in the United States.

From our examination of this watch we have determined that the manufacture, use or sale of this watch in the United States infringes our patent Nos. 2,888,797 and 2,954,664, as well as some of the numerous applications which we have pending. Hamilton has corresponding patent coverage in most of the principal countries of the world."

4. (a) Thereafter, in 1961 and 1962, there were several meetings in New York and Lancaster between officers and or counsel of the respective parties about the patent controversy set out in the said letter, with a concluding meeting on October 16, 1962. In addition to the patents listed in the said letter, these meetings involved discussion of Hamilton patent No. 2,972,745, also alleged to be infringed by manufacture, use or sale of the U. S. Time (Timex) electric watch, but which patent had not issued as of the date of the letter of Appendix A. These conferences produced no agreement or resolution of the controversy with respect to any of these patents.

4. (b) U. S. Time's patent counsel, who participated in the above conferences, and who is U. S. Time's patent counsel in this proceeding, has his office in New York City.

4. (c) Hamilton's patent counsel, who has been responsible for Hamilton patent matters since 1955, who participated in the above conferences, and who is Hamilton's patent counsel in this and the Maryland proceeding referred to below, has his offices in Washington, D. C., as does its retained general counsel.

5. The meetings dealt with Hamilton's U. S. patent Nos. 2,888,797; 2,954,664; and 2,972,745, which are the subject of the above-entitled action and dealt with them as patents at that time charged by Hamilton to be infringed by the sale of "Timex" electric watches in this country. The discussions dealt also with the fact that

Hamilton had corresponding patents in certain foreign countries, including Canada and Great Britain where U. S. Time was selling or proposed to sell the same watch; and with the fact that in West Germany, where U. S. Time was then manufacturing the watch, Hamilton had filed and had then pending applications for German patents corresponding to its U. S. patent Nos. 2,888,797; 2,954,664; and 2,972,745, as well as other applications relating to features of an electric watch, and already had at least one issued German patent allegedly infringed by the said manufacture in Germany.

6. In these meetings in 1961 and 1962, it was stated on Hamilton's part that if there were no resolution of the controversy by license agreement, Hamilton intended to bring suits for infringement and to pursue its legal remedies in the United States and in several foreign countries; and, as a factor making a resolution desirable, there was discussion of the cost and burden which that litigation would impose on both parties. While there was no specific mention of suits by Hamilton against customers of U. S. Time, the possible award of damages as a result of litigation was discussed. It was the position of Hamilton that it would seek a recovery of profits of both the manufacturer and retailers. It was the position of U. S. Time that Hamilton would not be entitled to a recovery of such profits and that the full compensatory recovery under the patent statute could be had against the manufacturer.

7. On or about April 17, 1963, Hamilton commenced a civil action No. 14586 in the District of Maryland against The Read Drug and Chemical Company ("Read's") of Baltimore, Maryland, charging it with infringement of said three U. S. patents of Hamilton, Nos. 2,888,797; 2,954,664; and 2,972,745, by reason of Read's sale of electric watches. The watch there accused was the Timex electric watch, although not so identified in the complaint

against Read's. Read answered the complaint on May 27, 1963 and the case is now at issue. Hamilton knew that the accused watch sold by Read's was made by U. S. Time and that Read's was a customer of U. S. Time. Hamilton also knew that the same watch had been and was being sold by retailers throughout the United States including retailers located in the Eastern District of Pennsylvania in which Lancaster is located. At the time Hamilton commenced its action against Read, it knew those facts with respect to U. S. Time set forth in paragraph 1 herein. At the time U. S. Time commenced this action against Hamilton, it knew those facts with respect to Hamilton set forth in paragraph 2 herein. Hamilton has commenced no action on any of said U. S. patents against U. S. Time, and has neither commenced nor threatened any action on any of said U. S. patents against any customer of U. S. Time other than Read.

8. Read's operates a chain of some 65 retail stores in the Baltimore area, having annual sales in the neighborhood of $48,000,000, and is one of the largest retailers, if not the largest, in that area engaged in the sale at retail of Timex watches. Prior to the commencement of that action against Read's, and except for such public notice of the patent as may have been given by patent marking on its watches, Hamilton had not given Read's any notice of infringement and had not had any meetings or discussions with Read's about the Hamilton patents or about the controversy between Hamilton and U. S. Time with respect to the Hamilton patents and the Timex electric watch.

9. (a) The said action against Read's was commenced after Hamilton had decided to attempt to enforce its patents against the sale of Timex watches in this country and in certain foreign countries. Hamilton states that its decision to do that by an action against a U. S. retailer of substantial financial resources, in addition to an action

directly against U. S. Time in Germany, the site of manufacture, and in further addition to an action against a wholly-owned subsidiary in Canada, was made as the result of a determination that relief should be sought in a forum convenient to both Hamilton and its patent and retained general counsel, and that the District of Maryland, and particularly Baltimore, provided a convenient and expeditious forum for an action against a retailer. Hamilton's general counsel and Hamilton's patent counsel are both located in Washington, D. C., while the main offices, manufacturing and research facilities of Hamilton, and, therefore, the locale of Hamilton witnesses, is Lancaster, Pennsylvania. Baltimore, Maryland, is situated intermediate Lancaster, Pennsylvania, and Washington, D. C., and is easily and conveniently reached by automobile from either Lancaster or Washington. The action against the Read Drug Company was not commenced in Maryland because of a wish or need to bring an action against Read in particular, Read not being a retailer whose sales had any effect materially different from that of the sales of the accused watch by other retailers of the same substantial size in the United States; but, Hamilton further states, was brought against Read in particular as the largest and most financially responsible retailer available in Baltimore, in order to have an action against a financially substantial retailer in the convenient Baltimore forum; and was brought with the knowledge that U. S. Time could intervene or take over the defense of the action against its customer in the selected forum.

(b) U. S. Time has neither intervened in, nor taken over the defense of the Read Drug Company, in the Baltimore action.

10. At or before the commencement of the action against Read, the representatives of Hamilton who were responsible for its commencement had established that Read did sell and was offering for sale the accused Timex watch

but made no inquiry or investigation to learn the extent of Read's sales of the accused Timex watch.

11. On or about April 26, 1963, Hamilton commenced an action against Timex of Canada, Ltd., a wholly-owned subsidiary of U. S. Time, on three patents of Canada corresponding to the said three United States patents.

12. On or about April 24, 1963, Hamilton Watch Company commenced an action at Mannheim, in the Republic of West Germany, against U. S. Time, and its wholly-owned West Germany subsidiary on two patents of West Germany dealing with features alleged to be found in the accused Timex watch, the watch accused in the West German action being the same watch that is accused in the United States and Canada. There is presently no patent in West Germany corresponding to any of the said three United States patents, although corresponding applications are pending. In West Germany, Hamilton's German patent applications corresponding to U. S. patent Nos. 2,288,797; 2,954,664: and 2,972,745 were allowed provisionally and published for opposition pursuant to West German law. U. S. Time formally opposed the grant of patents thereon and cited to the German Patent Office prior art that had not been cited by the Patent Examiner during the years of examination which preceded the allowance of the applications. In one of these cases, that corresponding to U. S. patent No. 2,888,797, the Examiner made an ex parte interlocutory ruling adverse to patentability. In the other two cases, those corresponding to U. S. patent Nos. 2,954,664 and 2,972,745, the Examiner has as yet made no ruling based on prior art cited during the oppositions, but as noted had allowed the two patents provisionally, so that the last interlocutory ex parte rulings of the Examiner were favorable to patentability. In all cases, the actual decision is rendered by a three-judge tribunal, which includes the Examiner as one of the judges. None of the

contested German applications have been reached or ruled on by this three-Judge tribunal.

13. The complaint herein was filed on April 29, 1963, twelve days after Hamilton commenced its suit against Read in Baltimore, five days after Hamilton commenced its action against U. S. Time and its subsidiary in Germany, and three days after Hamilton commenced its action against U. S. Time's subsidiary in Canada. Service upon Hamilton was made in the instant proceeding upon the Secretary of State of the State of Connecticut, as Statutory Agent for defendant.

14. Either party at the hearing may quote or extract information from the Annual Report of the Director of the Administrative Office of the United States Courts with regard to the condition of the calendar in the several courts referred to.

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